Banks in U.P., the Central Government propose to permit Uttar Pradesh Government to form a bank at its own in collaboration with a private party on the lines of Bank of Gujarat etc. with the provision that on formation of such a bank, the latter would take over the four existing private banks in Uttar Pradesh; and

(b) if not, what are the impediments envisaged in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) No such proposal is under consideration of Government. Further, Reserve Bank of India have intimated that they have not received any proposal from the Government of Uttar Pradesh for setting up a new bank.

(b) Does not arise.

Bringing service sector in Tax net

1957. SHRI SANJAY DALMIA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are contemplating to bring service sector into tax net to mop up more revenues; and

(b) if so, the details thereof; and what is the anticipated rise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) With effect from 1-7-94, Government have imposed tax on services of telephones, non-life insurance and stock brokers. The tax is to be charged @ 5 per cent on the amount of telephone bills, net premium chraged by the insurance companies and brokerage or commission charged by the stock brokers in relation to their services provided to the investors. Revenue on account of levy of service tax on these services is estimated at Rs. 600 crores in a full year.

Irregular activities of several chit funds

1958. SHRI ASHOK MITRA: Will the Minister of FINANCE be pleased to state:

(a) the legal framework according to which chit funds are allowed to operate in the country;

(b) the official agency or agencies responsible for monitoring the activities of these funds; and

(c) whether in view of the recent spate of reports concerning irregular activities of several chit funds, the Government are contemplating additional measures, including legislation, to safeguard the interests of depositors?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) The Chit Funds Act, 1982 enacted by the Central Government provides a legal framework for chit funds to operate in the country. The Act provides for framing of rules by the respective governments in the States/Union Territories in consultation with Reserve Bank of India (RBI) to extend the operation of the Act to the State/Union Territory concerned. However, a few states are still operating their own Chit Funds Acts which they had before the enactment of the Central Act. The deposit taking activities of the chit fund companies are regulated by the directions known as 'Miscellaneous Non-Banking Companies (Reserve Bank) Directions 1977,' issued by the RBI.

(b) Different State Governments have designated different agencies such as Registrar of Chit Funds and Registrar of Cooperative Societies for monitoring the activities of chit funds.

(c) The present provisions of the RBI Act do not empower Reserve Bank to direct a financial company to repay an overdue deposit. An amendment to the RBI Act giving such powers to Reserve Bank is under consideration.

Penal interest charged by Banks

1959. SHRI SURINDER KUMAR SINGLA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Banks are arbitrarily charging penal interest;

(b) what are the RBI guidelines with respect to penal interest;